

Message Text

SECRET

PAGE 01 MEXICO 11731 190908Z
ACTION SS-25

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FM AMEMBASSY MEXICO
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S E C R E T MEXICO 11731

EXDIS

C O R R E C T E D C O P Y (TEXT)

FOR THE ACTING SECRETARY FROM AMBASSADOR LUCEY

E.O. 11652: GDS
TAGS: ENRG, MX
SUBJECT: MEXICAN NATURAL GAS

REF: (A) MEXICO 10132, (B) STATE 179554

1. YOUR MOST RECENT CABLE REGARDING MEXICAN NATURAL GAS IS BOTH PUZZLING AND DISCONCERTING. I HAVE EMPHATICALLY REPEATED MY CONVICTION THAT PRESIDENT LOPEZ PORTILLO SPOKE IN EARNEST AND WITH CANDOR WHEN HE ADVISED ME OF HIS INTENTION TO USE GAS DOMESTICALLY RATHER THAN EXPORT TO THE UNITED STATES. THERE IS NO REASON WHATSOEVER TO BELIEVE THIS WAS STATED AS A BARGAINING PLOY -- THE PRESIDENT HIMSELF SPECIFICALLY ASSURED ME THAT THIS WAS NOT THE CASE.

2. DURING MY DISCUSSION WITH PRESIDENT LOPEZ PORTILLO, I SUGGESTED THAT THE HOUSE/SENATE JOINT COMMITTEE ACTION ON NATURAL GAS REGULATION WOULD ADD FLEXIBILITY TO THE US POSITION ON CONTRACT TERMS. THIS WAS OF NO CONSEQUENCE. INSTEAD, THE PRESIDENT DEAILED THE REASONS FOR THE
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MEXICAN DECISION TO USE ITS GAS DOMESTICALLY.

3. IN RETROSPECT, I BELIEVE THAT WE HAVE COLLECTIVELY MISHANDLED THESE NEGOTIATIONS AND THAT THE RESULT IS LIKELY TO BE A SIGNIFICANTLY REDUCED AVAILABILITY OF MEXICAN GAS FOR THE US MARKET. I HAVE BEEN WORKING ON THE ASSUMPTION THAT THE US STILL NEEDS THE FULL AMOUNTS OF

GAS THAT MEXICO CAN EXPORT AND THAT WE WANT THE GAS AS SOON AS IT CAN BE MADE AVAILABLE. IF THIS IS TRUE, I THINK WE NEED TO FOCUS ON ALTERNATIVE STRATEGIES FOR BOTH OUR REAPPROACH TO THE MEXICAN GOVERNMENT AS WELL AS FOR THE RENEWED NEGOTIATIONS. FROM MY STANDPOINT, THIS SUGGESTS THAT THE EXECUTIVE BRANCH MUST DEVELOP A CLEAR UNDERSTANDING REGARDING THE NECESSITY OF THE GAS AND ACCEPTABLE CONTRACT TERMS. I BELIEVE THAT WE MUST ALSO PREPARE FOR THE POSSIBILITY THAT NO ENERGY LEGISLATION IS PASSED BY CONGRESS THIS YEAR. IF NO LEGISLATION IS PASSED, WILL WE BE ABLE TO MAKE AN APPROACH TO THE MEXICANS?

4. I AM HOPING TO BE ABLE TO CONSTRUCT AN ECONOMIC ARGUMENT, BASED ON THE POSITION PAPERS PREPARED BY THE DEPARTMENTS OF ENERGY AND STATE, SUPPORTING OUR BASIC CONTENTION THAT THE MEXICAN SALE OF GAS TO THE US IS IN THEIR INTEREST. I WILL CONTINUE TO SEEK OTHER POSSIBLE WAYS TO AFFECT THE MEXICAN POSITION AND BELIEVE THIS SHOULD BE A MAJOR CONCERN OF BOTH THE DEPARTMENTS OF STATE AND ENERGY. LUCEY

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